From zero-sum to win-win

For landlocked and transit countries
Both transit and landlocked countries can benefit from expanded trade

- What are the potential benefits (and costs) for transit countries?
- How can they be measured?
- Which of them count most?
Five layers of benefits and costs for transit countries

- Direct benefits: recovery of infrastructure costs from users
- Indirect benefits: scale economies in storage, warehousing, logistics
- Indirect costs: environment, accidents, wear & tear, disease
- Greater social and economic integration
- Greater political leverage
Recovering infrastructure costs

The reality check...

- Balance is positive if transit traffic uses spare capacity and revenues go to government.

- With congestion, pricing needs to reflect the costs and risks of adding infrastructure.

- Transit rail traffic is profitable for railway, but service is poor and underused.

- Road traffic can bring revenues to government if transit trucks pay fuel tax or other transit fees (consistent with WTO).

- Port traffic can bring revenues if capacity is available.

FROM ZERO-SUM TO WIN-WIN
Capturing scale economies

- Maritime shipping can offer bigger vessels, lower freight rates, more frequent and direct sailings to markets
- More business, more competition for truckers, freight forwarders, customs brokers, warehousers

and so: lower tariffs, higher quality services, benefits to local customers

- All this drives the business logic for regional hubs
Hold down the diseconomies

- More road accidents
- More wear and tear
- More exhaust emissions
- More disease propagation
- All require monitoring and regulation

FROM ZERO-SUM TO WIN-WIN
Greater social and economic integration

- Processing and assembly in transit countries benefit the transit and the landlocked

- Vientiane to US west coast—through Thailand
Greater political leverage

- Transit countries benefit from greater leverage in regional development
- Regional hubs
- Regional infrastructure
- Regional economic communities
Shared information and trust

- Game theory: win-wins require good information exchanges and trust

- Institutions to create incentives for cooperation

- Regular exchanges of information fight rent-seeking (TradePoint)

- Regional coordination bodies build trust among transit and landlocked governments and their business communities

- Private-public partnerships build trust and foster cooperation between traders and border agencies (“PRO committees”)